

# HENSOLDT

## H1 2023 Results – Analyst & Investor Presentation

Taufkirchen, 28<sup>th</sup> of July 2023

Thomas Müller, CEO

Christian Ladurner, CFO

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# Business Update

# Update on strategic topics



NATO members commit to **above 2% GDP spending** at Vilnius summit



German defence budget for 2024 **increased by €1.7bn to €51.8bn**

Discussion on increases in outer years intensifies

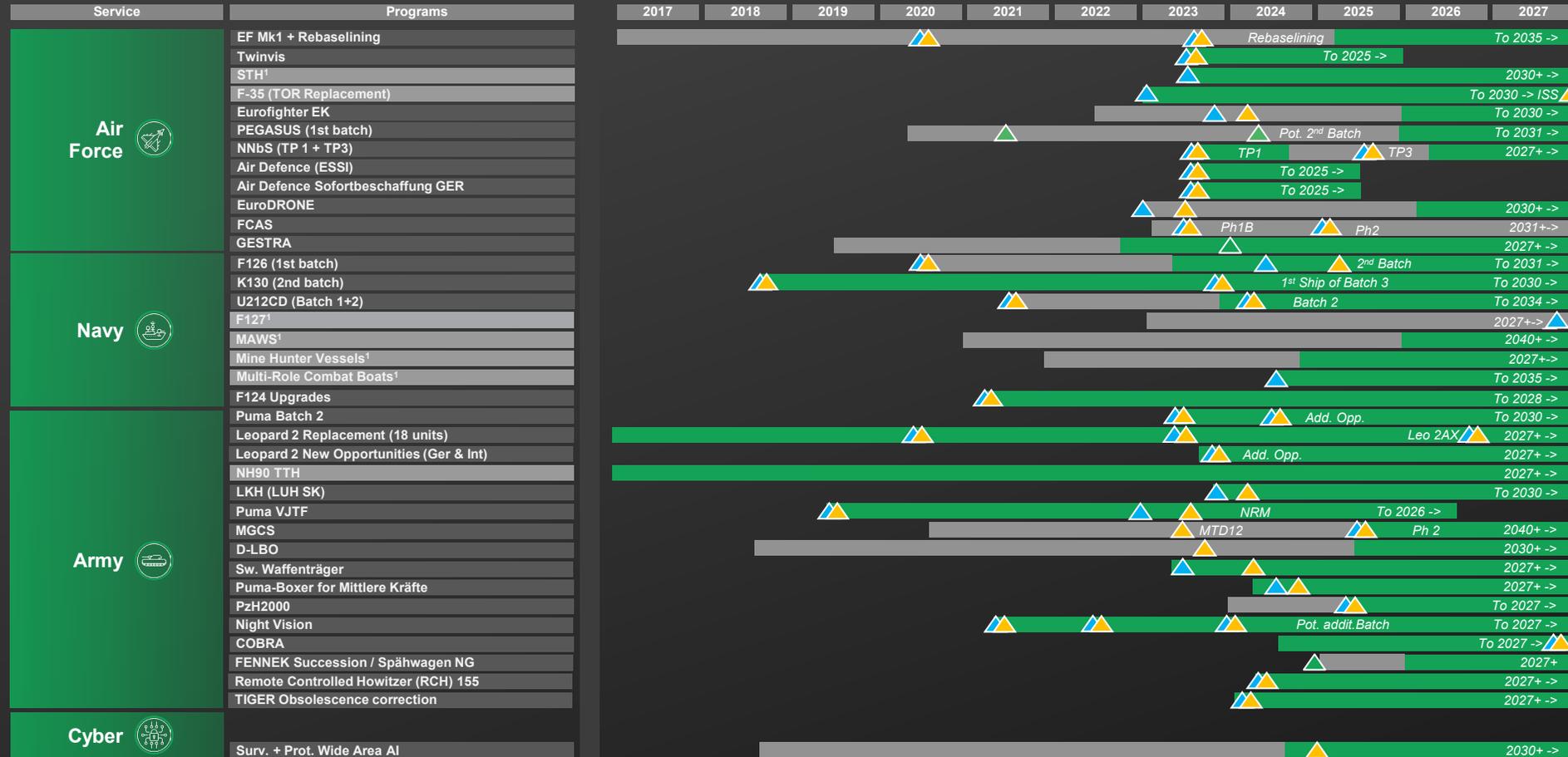


German National Security Strategy underlines need for well-equipped forces and highlights the **strategic role of defence exports**



High-level meeting between German and French ministers of defence **unblocks MGCS program**

# German program landscape solidifies – HENSOLDT well positioned



- ▲ Award OEM
- ▲ Award HEN
- ▲ HEN OEM<sup>(2)</sup>
- Development
- Production

Source: Renaissance Strategic Advisors, Bundeswehr, HENSOLDT AG. Note: All based on current estimates and subject to change. (1) No Award/no order intake planned for HENSOLDT yet; (2) Original equipment manufacturer

# Top orders received



**Puma IFV**



Sights and self-protection  
for Puma 2<sup>nd</sup> batch  
and Puma retrofit



**Leopard 2 MBT**



Leopard 2 Optronics  
for Norway and Sweden



**TRML-4D Radar**



Further TRML-4D for Ukraine  
TRML-4D Germany  
for European  
Sky Shield Initiative



**Self-protection**



Self-protection systems  
for Ukrainian helicopters



**Ula class submarine**



Periscopes and  
Optronic Mast Systems  
for Norwegian submarines

# HENSOLDT strives for a best-in-class compliance approach with a special focus on anti-corruption

## Standards of Business Conduct



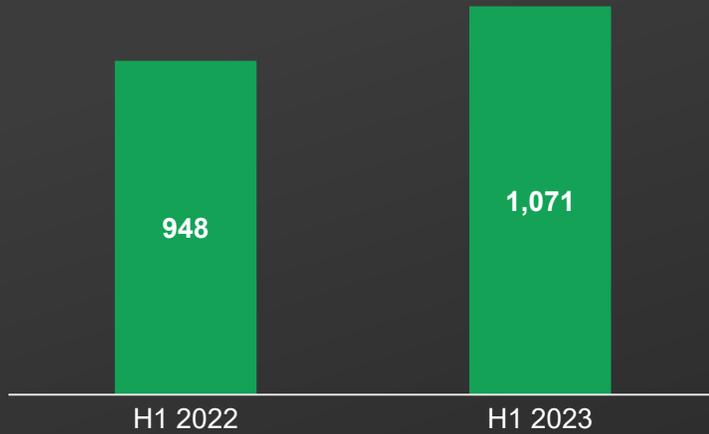
- Any partner contracting with the HENSOLDT Group is subject to the **Partner Review Directive** (customers, suppliers, agents, ...)
- **Comprehensive partner due diligence** is conducted by the compliance department

# Financials

# H1 2023 – strong performance in top line

in €m

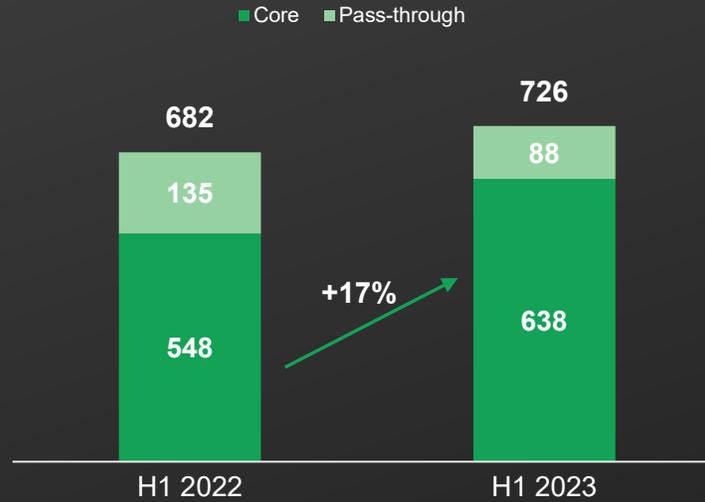
## Strong order intake in first half of the year



**Order intake<sup>(1)</sup>**

Order intake driven by strong baseline business, TRML-4D radars and systems for Puma and Leopard 2 tanks  
Well balanced between Germany and Europe

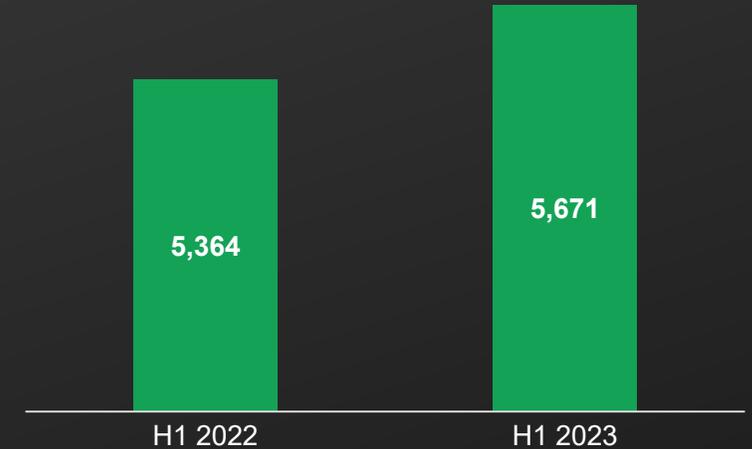
## Significant increase of core revenue



**Revenue**

Excellent development in both segments  
Key programs Eurofighter MK1 & PEGASUS on track  
Strong growth of baseline business

## New record order backlog



**Order backlog<sup>(2)</sup>**

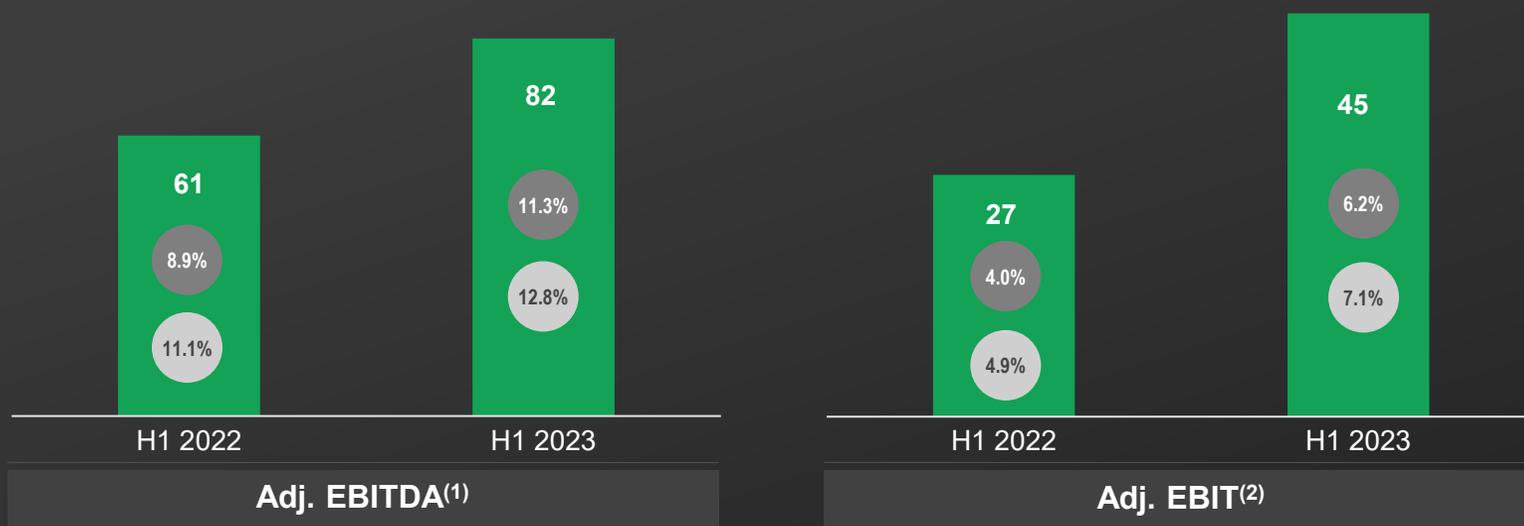
Book-to-bill ratio at 1.5x per H1 2023  
Strong order backlog provides excellent visibility

(1) Order intake is defined as orders where the corresponding selling contract becomes effective and enforceable in accordance with the terms and conditions of the contract. (2) Order backlog is defined as the value of the order book at the respective reporting date by keeping record of customer orders starting from the opening stock and taking into account revenue and adjustments for the respective reporting period, and ending with the final stock.

# H1 2023 – bottom line follows excellent top line development in €m

## Further increase of profitability

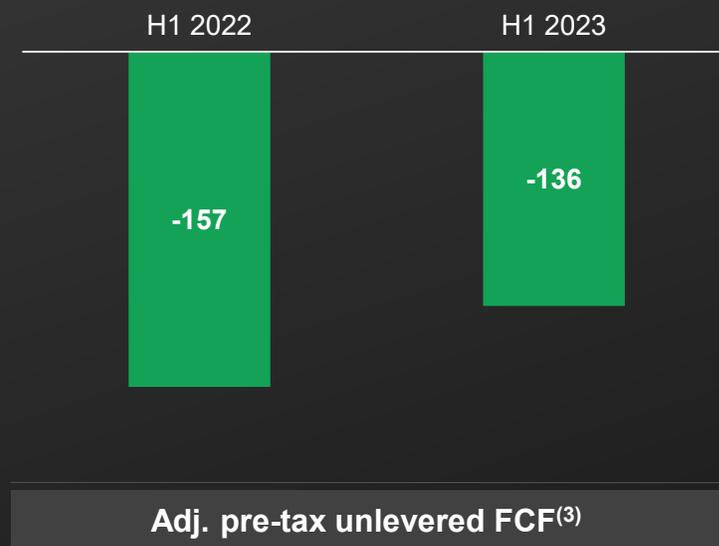
● Including pass-through ● Core



Profitability is driven by higher volumes supported by economies of scale partly offset by investment in growth and product mix

Margin increased due to growth of core business

## Investment in working capital as planned



Adj. pre-tax unlevered FCF increased compared to prior year despite higher investments in working capital

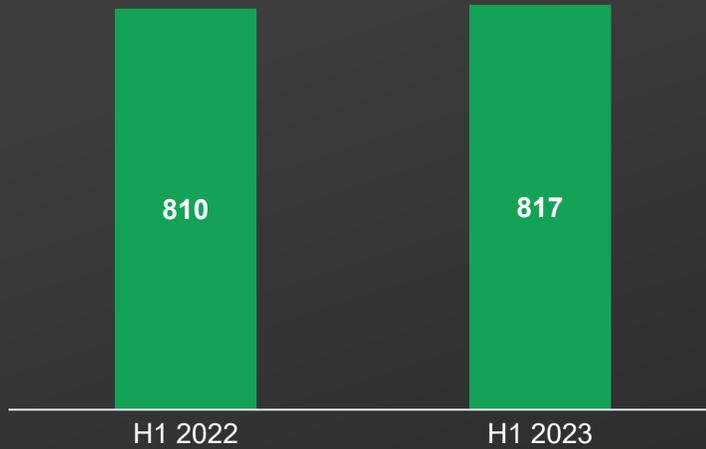
Preparation of strong revenue recognition in 2<sup>nd</sup> half of the year evolves as planned

(1) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortization including non-recurring effects on earnings from Transaction costs, OneSAPnow-related non-recurring effects as well as other non-recurring effects. (2) Adjusted EBIT is defined as EBIT adjusted for certain non-recurring effects relating to effects effects on earnings from Transaction costs, OneSAPnow-related non-recurring effects as well as other non-recurring effects. (3) Adjusted Pre-Tax Unlevered Free Cash Flow is defined as free cash flow adjusted for non-recurring operating effects as well as interest, tax and M&A activities. The free cash flow is defined as sum of the cash flows from operating and investing activities as reported in the consolidated cash flow statement.

# H1 2023 – Sensors segment

in €m

## Order intake in line with expectations

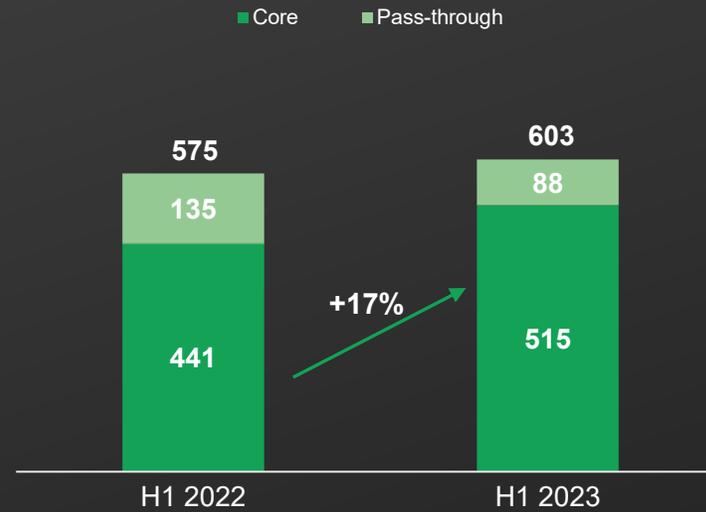


Order intake<sup>(1)</sup>

Order intake at very high level driven by TRML-4D and the MUSS self-protection system for Puma

Previous year's figures included F-126 and C3 Service Contract for Eurofighter with a volume of > €400m

## Significant increase of core revenue

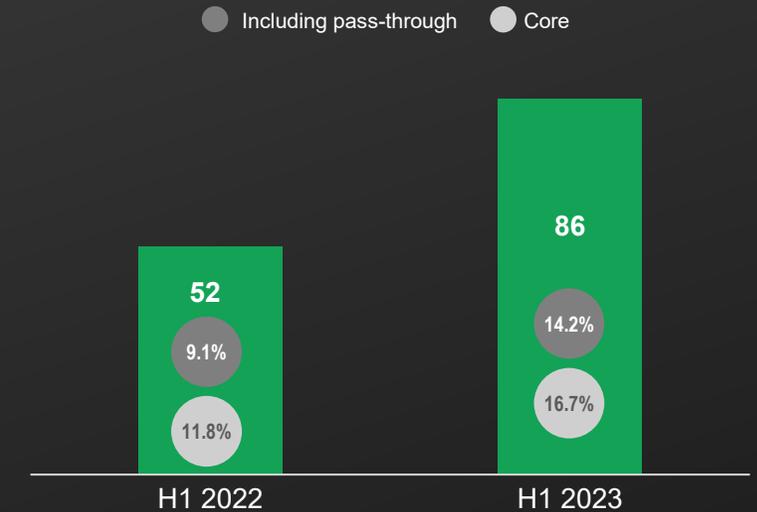


Revenue

Considerable growth of baseline business

Main revenue drivers are key programs Eurofighter MK1 and PEGASUS

## Excellent margin performance



Adj. EBITDA<sup>(2)</sup>

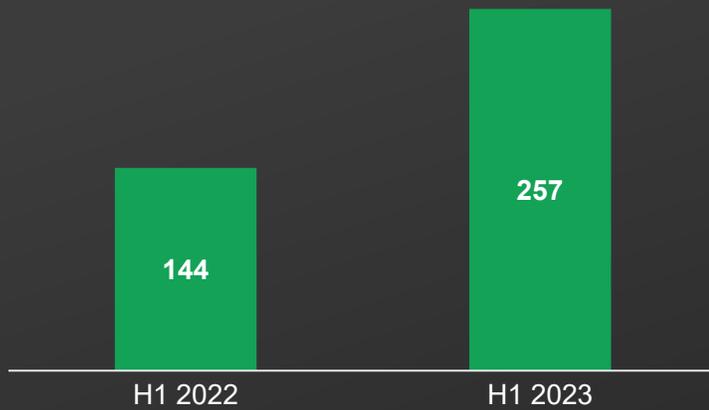
Higher volumes and economies of scale drive absolute margin uplift

(1) Order intake is defined as orders where the corresponding selling contract becomes effective and enforceable in accordance with the terms and conditions of the contract. (2) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortization (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, IPO related costs and other non-recurring effects

# H1 2023 – Optronics segment

in €m

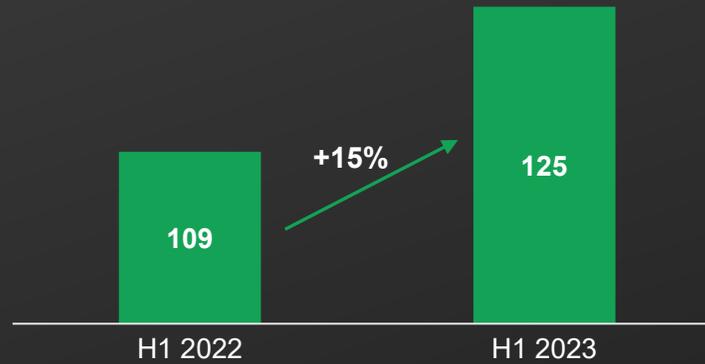
## Strong momentum in order intake



**Order intake<sup>(1)</sup>**

Main order intake drivers are Puma 2<sup>nd</sup> batch and retrofit, Leopard 2 for Norway and Sweden as well as Ula class submarine optronics for Norway

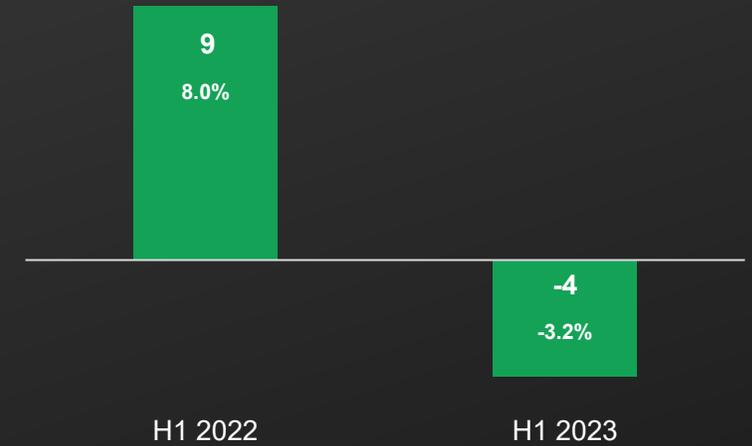
## Sustainable growth of revenues



**Revenue**

Main drivers are FFM, periscopes and optronic mast Systems for submarines as well as the M1 Abrams laser rangefinder

## Investments in digitalization and growth



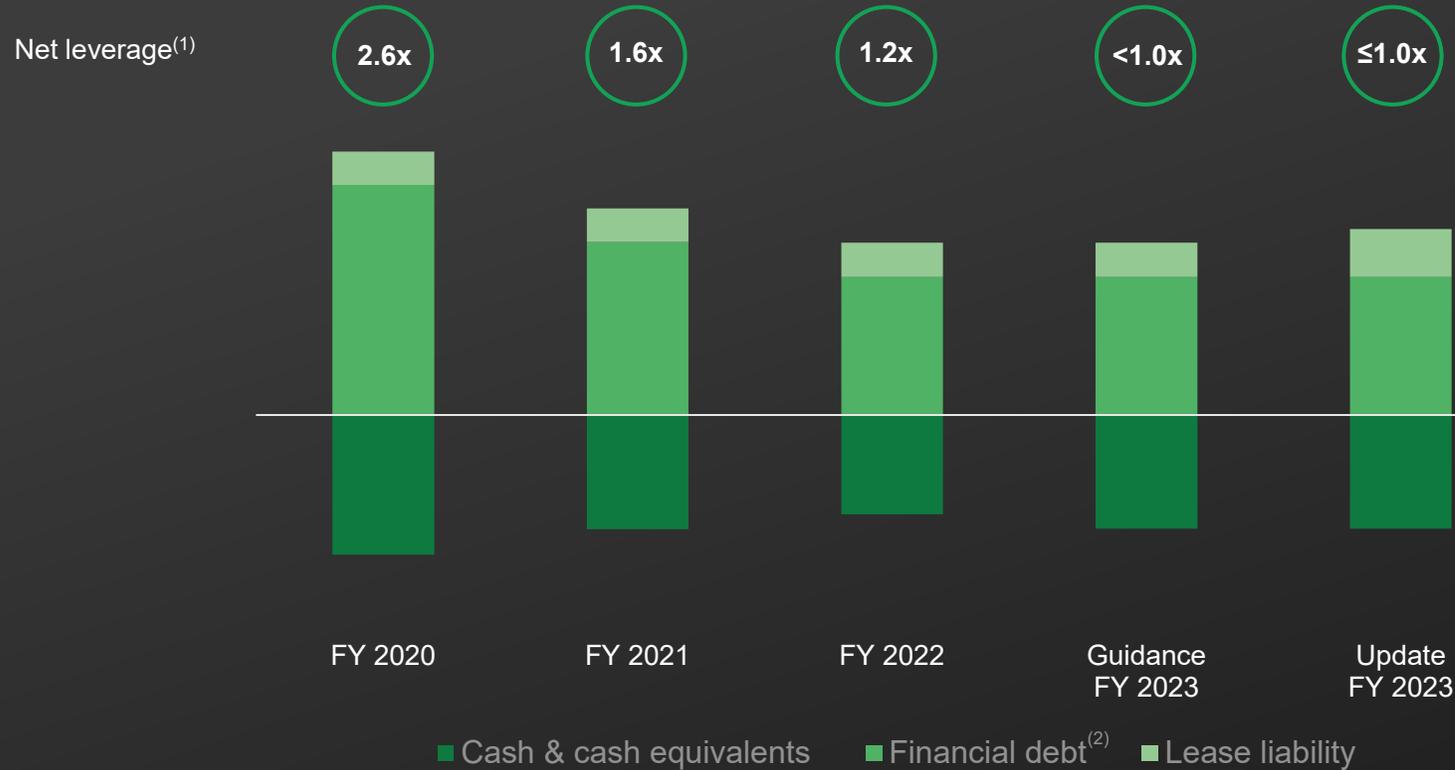
**Adj. EBITDA<sup>(2)</sup>**

Margin impacted by less favourable product mix, ramp-up of production and investments in digitalization of portfolio

(1) Order intake is defined as orders where the corresponding selling contract becomes effective and enforceable in accordance with the terms and conditions of the contract. (2) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortization (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, IPO related costs and other non-recurring effects

# We secure our long-term growth

## Net debt development



Since 2020 significant decrease in financial debt

For 2023 increase in cash position planned

Existing real estate lease contracts were prolonged to secure growth → Cash neutral increase of lease liability

Cash and financial debt position remains unchanged

(1) Net leverage including lease liabilities, excluding pensions. (2) Includes Non-current financing liabilities, Other non-current financial liabilities, Current financing liabilities and Other current financial liabilities.

# Short term guidance specified, medium term guidance confirmed

	2023 target <sup>(5)</sup>		Medium term target <sup>(5)</sup>
Book-to-bill ratio <sup>(1)</sup> / Order intake	1.1x - 1.2x		Orders to grow significantly faster than revenue
Revenue growth	Specified: ~ €1,850m with stronger growth in core revenue	old: 7%-10% with stronger growth in core revenue	10% average annual growth
Adjusted EBITDA margin <sup>(2)</sup>	~19% before pass-through revenue		>19% before pass-through revenue
Adjusted pre-tax unlevered FCF <sup>(3)</sup>	~70% average conversion on adjusted EBITDA		70% - 80% average conversion on adjusted EBITDA
Net leverage <sup>(4)</sup>	Updated: ≤1.0x	old: <1.0x	n/a
Dividend	30% - 40% of adjusted net income		30% - 40% of adjusted net income

(1) Average share of pass-through revenue of total revenue was ~10% between 2020A and 2022E; pass-through share of total revenue is expected to be in the mid single-digit percentage range between 2023E and 2025E; (2) Adjusted EBITDA margin excluding certain non-recurring effects such as Transaction costs, OneSAPnow-related non-recurring effects as well as other non-recurring effects. (3) Adjusted Pre-Tax Unlevered Free Cash Flow is Defined as free cash flow adjusted for non-recurring effects as well as interest, tax and M&A activities. (4) Net leverage includes lease liabilities, but excludes pensions; (5) excluding material M&A.

# HENSOLDT **GO!** Wave 3 measures ready for implementation

Laying the foundation for our growth

## Increase Engineering Efficiency to meet higher demand and growth

- Focus HENSOLDT engineering on high-value core competences
- Externalize standard engineering work packages
- Modularization of core components

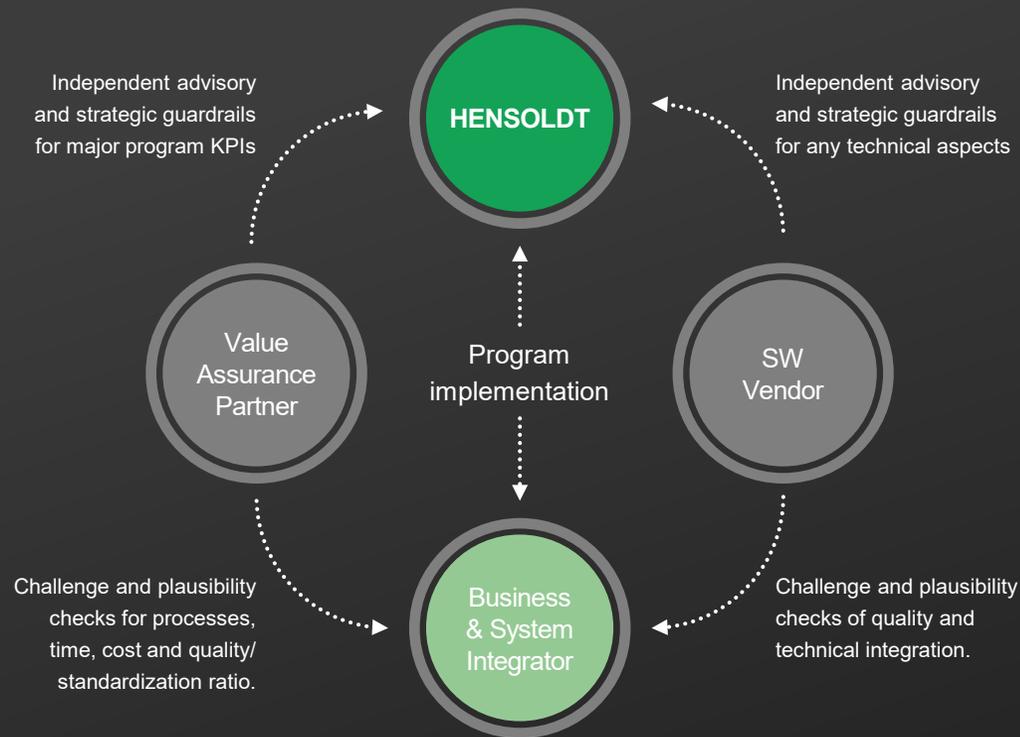
## Industrialize production processes to deliver on time, cost and quality

- Embed industrialization into design/engineering process
- Raise production efficiency through plug-and-play components

## Achieve supply chain robustness to ensure availability of our products

- Create a “*supply chain digital twin*” of key products to assess impact of key components on value chain
- Identify alternative suppliers to reduce dependencies
- Strengthen procurement and focus on strategic and high-value add activities

# ERP transformation de-risked through comprehensive set of measures



Strong backfilling agreement of 80+ FTE to assure availability of best experts for transformation ahead

Investment in an 18+ months preparation phase with various partners and challengers to sharpen the concept and approach

oneSAPnow program targets incorporated into executive management incentive plans to keep strong involvement and focus

# Strong H1 performance lays the basis for a successful year 2023

## Achievements

- Record order backlog of €5.7bn
- Strong order intake in first half of the year
- Efficient project execution and significant increase of core revenue
- Strong profitability

▶ **FY 2023 guidance confirmed**  
**Revenue guidance specified, net leverage guidance updated**

## Outlook

- Further orders from special fund received with more orders expected short-term
- Continuing close exchange with German customer
- Smooth and sustainable growth in front of us

▶ **HENSOLDT strongly positioned for upcoming growth**

# HENSOLDT

## Q&A session

# HENSOLDT

## Financial Section

# Consolidated Income Statement

in € million	First half year	
	2023	2022
Revenue	726	682
Cost of sales	-602	-568
<b>Gross profit</b>	<b>124</b>	<b>114</b>
Selling and distribution expenses	-55	-53
General administrative expenses	-48	-43
Research and development costs	-13	-17
Other operating income	10	10
Other operating expenses	-9	-9
Other result from investments	5	-
<b>Earnings before finance result and income taxes (EBIT)</b>	<b>14</b>	<b>2</b>
Interest income	11	3
Interest expense	-31	-22
Other finance income / costs	-7	5
<b>Finance result</b>	<b>-27</b>	<b>-15</b>
<b>Earnings before income taxes (EBT)</b>	<b>-13</b>	<b>-13</b>
Income taxes	-3	-3
<b>Group result</b>	<b>-16</b>	<b>-16</b>
<i>thereof attributable to the owners of HENSOLDT AG</i>	-17	-16
<i>thereof attributable to non-controlling interests</i>	1	-0

# Consolidated Statement of Financial Position – Assets

in € million	As at	
	H1 2023	YE 2022
<b>Non-current assets</b>	<b>1,374</b>	<b>1,335</b>
Goodwill	658	658
Intangible assets	377	384
Property, plant and equipment	128	121
Right-of-use assets	176	140
Investments and other financial assets <sup>(1)</sup>	26	23
Other non-current assets	2	2
Deferred tax assets	9	6
<b>Current assets</b>	<b>1,578</b>	<b>1,644</b>
Other <sup>(2)</sup>	32	30
Inventories	629	516
Contract assets	279	182
Trade receivables	264	323
Other current assets	126	133
Cash and cash equivalents	247	460
<b>Total assets</b>	<b>2,952</b>	<b>2,979</b>

(1) Includes Other investments and other non-current financial assets, Non-current other financial assets.

(2) Includes Other non-current financial assets, due on short-notice, Other current financial assets and Income tax receivables.

# Consolidated Statement of Financial Position – Equity & Liabilities

in € million	As at	
	H1 2023	YE 2022
Share capital	105	105
Capital reserve and other reserves	535	554
Retained earnings	-106	-55
<b>Equity held by shareholders of HENSOLDT AG</b>	<b>534</b>	<b>604</b>
Non-controlling interests	14	13
<b>Equity, total</b>	<b>548</b>	<b>616</b>
<b>Non-current liabilities</b>	<b>1,239</b>	<b>1,160</b>
Non-current provisions	320	282
Non-current financing liabilities <sup>(1)</sup>	620	621
Non-current contract liabilities	22	11
Non-current lease liabilities	178	140
Other non-current liabilities	9	11
Deferred tax liabilities	91	94
<b>Current liabilities</b>	<b>1,164</b>	<b>1,203</b>
Current provisions	168	181
Current financing liabilities <sup>(2)</sup>	20	16
Current contract liabilities	448	488
Current lease liabilities	17	18
Trade payables	396	379
Other current liabilities	98	101
Tax liabilities	17	19
<b>Total equity and liabilities</b>	<b>2,952</b>	<b>2,979</b>

(1) Includes Non-current financing liabilities and Other non-current financial liabilities.

(2) Includes Current financing liabilities and Other current financial liabilities.

# Consolidated Statement of Cash Flow (1/2)

in € million	First half year	
	2023	2022
<b>Group result</b>	<b>-16</b>	<b>-16</b>
Depreciation, amortisation and impairments of non-current assets	58	52
Financial expenses (net)	15	16
Change in		
Provisions	26	-9
Inventories	-121	-83
Contract balances	-127	-148
Trade receivables	55	45
Trade payables	18	37
Other assets and liabilities	-16	-10
Interest paid	-16	-13
Income tax payments (-) / refunds (+)	-5	-4
Other <sup>(1)</sup>	8	-1
<b>Cash flows from operating activities</b>	<b>-120</b>	<b>-134</b>
Acquisition / addition of intangible assets and property, plant and equipment	-48	-44
Acquisition of associates, other investments and other non-current financial assets	-4	-2
Acquisition of subsidiaries net of cash acquired	-1	-0
Other <sup>(2)</sup>	2	0
<b>Cash flows from investing activities</b>	<b>-51</b>	<b>-46</b>

(1) Includes Impairments/reversals of impairments of inventories, trade receivables and contract assets, Other non-cash expense/income and Income tax expense/income.

(2) Includes Proceeds from sale of intangible assets and property, plant and equipment, proceeds from disposals of associates, other investments and non-current financial assets and Other cash flows from investing activities.

# Consolidated Statement of Cash Flow (2/2)

in € million	First half year	
	2023	2022
<b>Cash flows from operating activities</b>	<b>-120</b>	<b>-134</b>
<b>Cash flows from investing activities</b>	<b>-51</b>	<b>-46</b>
Change in other financing liabilities	0	-13
Payment of lease liabilities	-10	-9
Dividend payments	-32	-26
Other	-	0
<b>Cash flows from financing activities</b>	<b>-41</b>	<b>-49</b>
Effects of changes in exchange rates on cash and cash equivalents	0	2
<b>Net changes in cash and cash equivalents</b>	<b>-212</b>	<b>-227</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents on 1 January	460	529
Cash and cash equivalents on 30 June	247	302

# Reconciliation of order intake, segment revenue and adjusted EBITDA to group figures

in € million	First half year	
	2023	2022
<b>Order intake</b>	<b>1,071</b>	<b>948</b>
Sensors	817	810
Optronics	257	144
Elimination/Transversal/Others	-3	-5
<b>Revenue</b>	<b>726</b>	<b>682</b>
Sensors	603	575
Optronics	125	109
Elimination/Transversal/Others	-3	-2
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>82</b>	<b>61</b>
Sensors	86	52
Optronics	-4	9
Elimination/Transversal/Others	-	-

(1) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortisation (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, OneSAPnow-related non-recurring effects and other non-recurring effects.

# Overview of EBITDA and EBIT adjustments

EBITDA adjustments in € million	First half year	
	2023	2022
<b>EBIT</b>	<b>14</b>	<b>2</b>
(+) Depreciation	23	22
(+) Amortization	30	30
<b>EBITDA</b>	<b>66</b>	<b>53</b>
(+) Effects on earnings from purchase price allocations	6	0
(+) Transaction costs	–	–
(+) OneSAPnow-related non-recurring effects	3	–
(+) Other non-recurring effects	6	7
<b>Adjusted EBITDA</b>	<b>82</b>	<b>61</b>

EBIT adjustments in € million	First half year	
	2023	2022
<b>EBIT</b>	<b>14</b>	<b>2</b>
(+) Effect on earnings from purchase price allocations	22	18
<i>  thereof intangible assets</i>	21	18
<i>  thereof property, plant and equipment</i>	0	0
(+) Transaction costs	–	0
(+) OneSAPnow-related non-recurring effects	3	–
(+) Other non-recurring effects	6	7
<b>Adjusted EBIT</b>	<b>45</b>	<b>27</b>

# Reconciliation of reported to adjusted pre-tax unlevered FCF

in € million	First half year	
	2023	2022
Cash flows from operating activities	-120	-134
Cash flows from investing activities	-51	-46
<b>Free cash flow</b>	<b>-172</b>	<b>-180</b>
(+) OneSAPnow-related non-recurring effects	3	–
(+) Other non-recurring effects	9	5
(+) Interest <sup>(1)</sup> , income taxes <sup>(2)</sup> and M&A-activities <sup>(3)</sup>	24	19
<b>Adjusted pre-tax unlevered free cash flow</b>	<b>-136</b>	<b>-157</b>
Cash flows from financing activities	-41	-49

(1) Defined as 'Interest paid' (including interest on lease liabilities) as reported in the Consolidated Statement of Cash Flows.

(2) Defined as 'Income tax payments / refunds' as reported in the Consolidated Statement Cash Flows.

(3) Defined as sum of 'Acquisition of associates, other investments and other non-current financial assets', 'Proceeds from sale of intangible assets and property, plant and equipment',

'Acquisition of subsidiaries net of cash acquired', 'Proceeds from disposals of associates, other investments and non-current financial assets' and 'Other cash flows from investing activities' as reported in the Consolidated Statement of Cash Flows.

# Q2 Financial Overview HENSOLDT Group

in € million	Second quarter	
	2023	2022
Order intake	724	267
Book-to-bill ratio <sup>(1)</sup>	1.9x	0.7x
Revenue	388	396
Adjusted EBIT <sup>(2)</sup>	32	26
Adjusted EBITDA <sup>(3)</sup>	52	44
Adjusted EBITDA margin	13.3 %	11.1 %
Adjusted pre-tax unlevered free cash flow <sup>(4)</sup>	-10	-43

(1) Book-to-Bill ratio is defined as order intake / reported revenue for the relevant period

(2) Adjusted EBIT is defined as EBIT adjusted certain non-recurring effects relating to transaction costs, OneSAPnow-related non-recurring effects and other non-recurring effects

(3) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortisation (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, OneSAPnow-related non-recurring effects and other non-recurring effects

(4) Adjusted pre-tax unlevered free cash flow is defined as free cash flow adjusted for non-recurring operating effects as well as interest, tax and M&A activities. The free cash flow is defined as sum of the cash flows from operating and investing activities as reported in the consolidated cash flow statement

# Reconciliation of reported to adjusted net income

in € million	First half year	
	2023	2022
<b>Group result</b>	<b>-16</b>	<b>-16</b>
(+) Effect on earnings from purchase price allocations	22	18
(+) Transaction costs	–	0
(+) OneSAPnow-related non-recurring effects	3	–
(+) Other non-recurring effects	6	10
Adjusted net income pre-tax adjustment	<b>15</b>	<b>12</b>
(+) Tax adjustments <sup>(1)</sup>	-9	-8
<b>Adjusted net income</b>	<b>6</b>	<b>4</b>

(1) Includes tax adjustments on effect on earnings from PPA, OneSAPnow-related non-recurring effects and other non-recurring effects

# HENSOLDT

## Back-up

# Upcoming IR events\*



# IR Contacts

## Contact

- **Contact:**  
Veronika Endres  
Tim Schmid
- **Phone:**  
+49 89 51518 2057  
+49 89 51518 2625
- **Email:**  
[investorrelations@hensoldt.net](mailto:investorrelations@hensoldt.net)
- **Internet:**  
[www.hensoldt.net](http://www.hensoldt.net)

## HENSOLDT share

- **Type of share:**  
Bearer shares
- **Stock Exchange:**  
Frankfurt Stock Exchange
- **Security reference number:**  
ISIN DE000HAG0005

## Reports

- **Financial Reports:**  
<https://investors.hensoldt.net>
- **Annual Report:**  
<https://annualreport.hensoldt.net>
- **Sustainability Report:**  
[www.hensoldt.net](http://www.hensoldt.net)



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